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## FORMER USSR UPDATE: AGRICULTURE AND TRADE REPORT

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Grain and livestock output in the former Soviet Union (FSU) is projected down in 1995/96, while production of sunflowers, sugarbeets, vegetables, and potatoes (an important food crop) is forecast to rise.<sup>1</sup> The projected 8-percent decrease in grain production should be offset by lower use (especially for feed as livestock inventories continue to decrease) and stock drawdowns. As a result, grain imports are forecast near 1994/95's low levels.

In 1995/96, State grain procurement in much of the FSU is proceeding very slowly, as farms seek out alternative channels where prices are higher and marketing costs lower. Lower State purchases do not foreshadow widespread shortages, because procurements are now for a much reduced segment of the population (military, selected urban areas, State institutions) and are made throughout the year instead of immediately after harvest as in the past. The development of non-State channels should help move grain from surplus to deficit regions, unless regional restrictions inhibit this process.

For a second consecutive year, FSU meat imports continue to surge, likely up by over a third from 1994. To date, new and higher **Russian** tariffs on meat have had little effect on dampening imports. Competitive prices for meat imports and appreciation of the ruble against the U.S. dollar are offsetting much of the tariffs' effect. Although it appears paradoxical that **Russian** livestock output is falling while consumers are eating more imported meat, several factors may explain this trend, including changing consumer preferences, growing income inequality, reliability of foreign suppliers, and price signal lags.

In the first 7 months of 1995, trade by the Commonwealth of Independent States (CIS) with Western and other developed countries continued to increase, accounting for

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<sup>1</sup>The former Soviet Union (FSU) refers to the sum of the 12 independent countries of the former USSR and the 3 Baltic countries (Lithuania, Latvia, Estonia). The Commonwealth of Independent States includes the 12 countries of the FSU minus the Baltics.

more than half of total trade. Consumer goods, including food products, and machinery and equipment, remain the top CIS imports. However, while FSU agricultural imports (in value terms) have grown over the last 1-2 years, they remain below late-1980s levels, as increased high value product (HVP) imports are not offsetting significantly lower grain purchases. This trend is evident in lower projected U.S. agricultural exports to the region in fiscal 1995 despite expected continued growth in U.S. meat sales.

Most FSU countries have responded to increased HVP imports by introducing tariffs and other taxes to generate revenue and protect less competitive domestic producers. In **Russia**, where HVP imports have risen the most, higher tariffs and other regulations have had little effect, in part due to weak customs controls and, since mid-1995, the appreciation of the ruble. Interest in joining the World Trade Organization (WTO) will likely affect the direction of future trade policies.

### Imports To Remain Low Despite Smaller Grain Crop

Despite lower projected FSU grain output, 1995/96 (July/June) FSU grain imports (intra- and extra-FSU) are not expected to rise from last year's low 11 million tons (table 1). Lower use (driven by a sharp decline in feed use) and a drawdown of stocks are the primary factors offsetting 1995/96's reduced crop. Estimated feed use has fallen nearly 40 percent from the early 1990s, as the fall in real income cut consumer demand for livestock products. In addition, estimated stocks have been drawn down by nearly 25 million tons from 1993/94 to 1995/96.

Although lower than in 1994/95, projected 1995/96 intra-FSU trade continues to account for a sizable share of grain imports. Reduced financing sources--both export credits from foreign governments and resources from cash-strapped FSU governments--have contributed to the recent decline in extra-FSU grain imports.



Table 1 — Supply and use of grain, FSU and major countries <sup>1</sup>

	Year July/June	Production <sup>2</sup>	Trade <sup>3</sup>		Supply	Utilization			Stock change
			Imports	Exports		F.S.I. <sup>4</sup>	Feed and residual	Total	
1,000 tons									
FSU									
Total grains <sup>5</sup>	1991/92	153,759	44,478	3,640	194,597	75,474	127,759	203,233	(8,636)
	1992/93	186,225	36,636	9,705	213,156	75,302	130,189	205,491	7,665
	1993/94	179,882	19,684	8,001	191,565	73,296	115,922	189,218	2,347
	1994/95 <sup>6</sup>	143,482	11,108	7,155	147,435	70,761	89,867	160,628	(13,193)
	1995/96 <sup>7</sup>	131,733	10,750	4,725	137,758	68,938	80,402	149,340	(11,582)
Wheat	1991/92	72,028	23,845	2,180	93,693	49,338	49,052	98,390	(4,697)
	1992/93	89,714	24,103	6,800	107,017	49,480	52,544	102,024	4,993
	1993/94	83,289	13,515	6,500	90,304	48,057	42,041	90,098	206
	1994/95 <sup>6</sup>	60,127	8,875	5,250	63,752	46,253	30,316	76,569	(12,817)
	1995/96 <sup>7</sup>	61,080	8,930	3,400	66,610	45,739	27,346	73,085	(6,475)
Coarse grains <sup>8</sup>	1991/92	80,435	19,838	1,430	98,843	24,075	78,707	102,782	(3,939)
	1992/93	95,286	12,207	2,880	104,613	24,296	77,645	101,941	2,672
	1993/94	95,328	6,099	1,491	99,936	23,914	73,881	97,795	2,141
	1994/95 <sup>6</sup>	82,357	2,043	1,905	82,495	23,320	59,551	82,871	(376)
	1995/96 <sup>7</sup>	69,665	1,610	1,325	69,950	22,001	53,056	75,057	(5,107)
Russia									
Total grains	1991/92	85,581	25,750	1,135	110,196	40,177	73,956	114,133	(3,937)
	1992/93	102,448	21,782	1,325	122,905	39,693	78,197	117,890	5,015
	1993/94	94,889	8,725	985	102,629	38,215	65,408	103,623	(994)
	1994/95 <sup>6</sup>	77,700	3,060	1,925	78,835	37,126	49,911	87,037	(8,202)
	1995/96 <sup>7</sup>	68,150	3,925	500	71,575	35,747	44,150	79,897	(8,322)
Ukraine									
Total grains	1991/92	36,279	2,710	650	38,339	14,591	25,021	39,612	(1,273)
	1992/93	35,153	2,190	380	36,963	14,550	23,605	38,155	(1,192)
	1993/94	42,190	435	825	41,800	14,390	24,732	39,122	2,678
	1994/95 <sup>6</sup>	32,453	360	190	32,623	14,098	20,448	34,546	(1,923)
	1995/96 <sup>7</sup>	33,270	120	750	32,640	14,167	19,560	33,727	(1,087)
Kazakhstan									
Total grains	1991/92	11,589	995	1,555	11,029	6,228	7,863	14,091	(3,062)
	1992/93	29,167	440	7,700	21,907	6,509	11,280	17,789	4,118
	1993/94	21,219	60	6,050	15,229	6,338	9,561	15,899	(670)
	1994/95 <sup>6</sup>	16,140	50	4,950	11,240	6,055	7,051	13,106	(1,866)
	1995/96 <sup>7</sup>	10,750	50	3,050	7,750	5,620	4,190	9,810	(2,060)
Other FSU									
Total grains	1991/92	20,310	15,023	300	35,033	14,478	20,919	35,397	(364)
	1992/93	19,457	12,224	300	31,381	14,550	17,107	31,657	(276)
	1993/94	21,584	10,464	141	31,907	14,353	16,221	30,574	1,333
	1994/95 <sup>6</sup>	17,189	7,638	90	24,737	13,482	12,457	25,939	(1,202)
	1995/96 <sup>7</sup>	19,563	6,655	425	25,793	13,404	12,502	25,906	(113)

<sup>1</sup> FSU includes 15 countries. <sup>2</sup> Production is in cleanweight.

<sup>3</sup> Includes intra-FSU and extra-FSU trade. <sup>4</sup> F.S.I. = food, seed, and industrial use.

<sup>5</sup> Wheat, coarse grains, and milled rice. <sup>6</sup> Preliminary.

<sup>7</sup> Projected. <sup>8</sup> Includes barley, corn, millet, oats, and rye.

Source: USDA, estimates as of October 1995.



## Drought Cuts 1995/96 FSU Grain Crop

For the second straight year, drought affected a considerable portion of the FSU grain crop. As of October, USDA projects 1995/96 FSU grain output at 132 million tons, down 8 percent from 1994/95 (cleanweight, including wheat, coarse grains, and milled rice). Yields are forecast slightly below 1994/95 due in large part to hot, dry weather in parts of the region. Continuing a downward trend that began in the 1980s, sown area is also projected down from last year.

While total FSU grain output is falling, wheat production in 1995/96 is forecast to rise slightly, suggesting that farmers are reacting to market incentives. Projected area sown to wheat, currently the most profitable grain to produce in most FSU countries, is up an estimated 5 percent. Area planted to less profitable crops, such as barley and rye, continues to fall.

**Kazakhstan** and **Russia** were hardest hit by the drought, with projected 1995/96 grain output down significantly from last year. **Ukraine's** grain production is forecast up slightly from last year. The remaining FSU countries account for less than one-fifth of 1995/96 FSU grain output. Developments among them ranged from good grain harvests in **Central Asia** and **Moldova** to declines in **Belarus**, the **Baltics**, and **Caucasus**. **Turkmenistan** and **Uzbekistan** are expected to have record or near record grain harvests as government policies in both countries raised area.

## Good Winter Sowing Conditions May Help Next Year's Crop

Sowing for next year's winter crops (mainly wheat) got underway early in **Russia** and other FSU countries due to the hot, dry summer weather, which also accelerated the harvest. By the beginning of October, farmers in **Russia** had plowed 32 million hectares of land and sown 14.2 million hectares of winter crops (including 13.1 million hectares of winter grain), far ahead of last year's pace.

Thanks to late summer rains that came too late to help this year's grain crop, Russian initial winter grain soil moisture conditions are generally more favorable than last year. Winter sowing also began early in other FSU countries, notably **Ukraine**, **Kazakhstan**, and **Uzbekistan**. Winter sowing has progressed well in much of the FSU region despite a purported lack of adequate equipment and fuels.

## Private Sales Channels Expand and Prices Rise

State procurement, once virtually the only means of marketing grain in FSU countries, has declined with the expansion of alternate channels such as commodity exchanges, private trading firms, and barter deals. For the first time last year, the bulk of grain marketed in the FSU region went through non-State channels and this trend is continuing in 1995 (table 2). Among the major FSU grain producers, **Russia** and **Moldova** are leading the way, with State procurement accounting for just 33 and 16 percent, respectively, of all grain marketed in 1994. **Kazakhstan** and **Ukraine** are lagging behind, but even their State procurement shares contracted considerably between 1990 and 1994. Only **Uzbekistan** and **Belarus** had shares of 75 percent or higher in 1994.

Some FSU governments are having increasing trouble reaching their procurement targets, which have been cut from 1994 levels. By mid-September, **Russian** procurement organizations had managed to purchase only a small percentage of the grain they had earlier contracted with farmers to buy. Farmers are withholding the grain in the hope of receiving a higher price later, either from the same procurement organizations or from non-State channels. State procurement targets in some FSU countries are beginning to decline as purchases are used for a reduced segment (the military and certain urban areas and State institutions) and are made throughout the year when needed. However, a number of slow reformers, such as **Uzbekistan**, may maintain State procurement at higher levels in the near term.

Far from denoting a crisis, the growing role of non-State organizations is evidence that liberalization of the grain sector is proceeding. Grain prices paid by private traders or commodity exchanges are already approaching world market levels in many FSU countries, especially the **Baltics** and **Russia**. Recommended minimum State procurement prices have also been increased (both in real and nominal terms) to encourage farmers to sell their grain to the State. Given lower production and increased competition among grain buyers, farms should receive higher prices for their output, thus reducing the need for increased State spending to support farmers.



**Table 2—Share of goods marketed by procurement agencies**

Country	Grains			Potatoes			Meat			Vegetables		
	1990	1993	1994	1990	1993	1994	1990	1993	1994	1990	1993	1994
	<i>percent</i>											
Russia	76	64	33	61	45	34	na	81	72	74	65	57
Ukraine	83	67	63	47	44	27	na	79	73	63	59	51
Belarus	67	74	75	55	51	40	na	85	83	67	60	58
Moldova	36	40	16	28	6	3	na	53	35	75	59	50
Kazakhstan	95	74	55	86	41	30	na	64	45	87	50	42
Uzbekistan	99	95	94	68	60	55	na	82	69	71	62	65
Kyrgyzstan	74	67	27	75	38	14	na	43	18	62	46	22

na=Not available.  
Source: Statkom SNG.

### FSU Meat Imports Continue To Surge as Livestock Sector Contracts

For the second consecutive year, FSU meat imports (dominated by **Russia**) continue to surge, likely up by over one-third from 1994. Imports of relatively less expensive poultry meat, mainly from the United States, account for over half of all extra-FSU meat imports. To date, new and higher **Russian** tariffs on meats have had little effect on dampening imports. Competitive prices for meat imports and the appreciation of the Russian ruble against the dollar probably are offsetting much of the tariffs' effect. The rise in FSU meat imports is expected to slow in 1996, as subsidized European Union (EU) exports of beef and pork are cut due to reduced EU intervention stocks. Moreover, it is unclear how much the United States will continue to subsidize pork exports in 1996. Since 1994, U.S. export subsidies on nearly 35,000 tons of pork have totaled \$26 million. The FSU has recently begun to make cash purchases of low-priced unsubsidized pork trimmings from the United States.

In 1995, FSU production of livestock products will fall for the sixth consecutive year, with output of meat, milk, and eggs projected down around 45 percent, 30 percent, and 35 percent, respectively, from 1989 (table 3). The rate of decline in overall FSU livestock output slowed in 1993, picked up in 1994, and accelerated further in 1995.

**Russia, Ukraine, and Kazakhstan**, the main meat producers, are driving this year's sharper drop in output, as the declines in most of the smaller FSU countries have begun to slow this year.

Reduced demand for livestock products and continued worsening of producers' terms of trade this year account for much of the falling output. In response to these factors and competitively priced imports, producers have continued to cut animal inventories. The drop in animal inventories, like production, accelerated in 1995 compared to 1994. As of January 1, 1996, FSU cattle, swine, goat/sheep, and poultry numbers are projected to be down about 30 percent, 45 percent, 45 percent, and 30 percent, respectively from the same date in 1989 (table 4).

Animal productivity in most FSU countries in 1995 continued to worsen despite the downsizing of animal numbers. The declining quality and balance of animal rations as farms switch to cheaper feeds are largely to blame. As farms adjust to new terms of trade, purchases of expensive mixed feeds have been cut sharply, particularly by the large animal complexes (mainly hog and poultry) that formerly depended on State provision of feeds. This has significantly reduced the use of oilmeals, grain, and other costly feed additives in animal rations. Lower use of veterinary medicines also continues to harm productivity. At the same time, use of forage crops (hay/haylage/silage) is rising, replacing a significant share of grain and oilmeals in feeds, and thereby contributing to reduced productivity. The declining quality of the breeding stock on farms has also contributed to falling productivity.

Animal products continue to be marketed mainly through the large former State meat processing plants, but the share of sales through non-State channels (barter,



payment in kind, contracts directly with consumers, farm markets, etc.) is growing rapidly. Over 80 percent of marketed meat to date in 1995 in **Kazakhstan**, **Kyrgyzstan**, and **Moldova** now flows through these other channels, and in **Russia** and **Ukraine** the comparable figure is about 40 percent. In contrast, in **Belarus** about 80 percent continues to go through traditional State channels.

Although it appears paradoxical that **Russian** livestock output is falling while consumers are eating more imported meat, several factors may explain this trend. Meat imports have been competitively priced, and generally meet consumer preference for the better packaging and convenience in preparation offered by Western products. Growing income inequality has created a class of consumers that demand Western products over native ones. Often imports are of higher quality than domestic meats, and are available at prices subsidized by exporters. Large Russian importers appear to prefer the reliability and punctuality of foreign suppliers in many cases, especially given the infrastructural hurdles facing Russian producers.

Meat buyers, such as the Moscow city government, sometimes provide financial assistance to importers for the city. Western meat sellers often allow their Russian buyers to pay for products as they sell them, rather than up-front. A primary reason for continued downsizing of Russian output is the lag in price signals reaching domestic producers due to poor market infrastructure, including availability of market information. As an increasingly large share of output is accounted for by small scale private producers who are not part of the traditional market infrastructure, Russian meat processors have turned elsewhere.

### Sunflowerseed Output, Exports Projected to Increase

The decline in government procurement over the last 4 years and the end of export quotas in 1994 for sunflowerseeds have generated sharply larger **Russian** sunflowerseed production and exports. Total FSU sunflowerseed exports more than doubled between 1992/93 and 1994/95 (October/September) and are forecast to increase again in 1995/96 (table 5). However, **Ukrainian** sunflowerseed exports have been banned by the government to ensure sufficient domestic supplies.

**Table 3—Production of livestock products, all farms, FSU countries**

Year	Total meat <sup>1</sup>	Milk	Eggs
	1,000 tons		Million
<b>FSU</b>			
1992	16,030	90,332	70,657
1993	14,378	87,918	66,533
1994	12,995	83,543	59,587
1995	11,297	77,360	53,850
<b>Russia</b>			
1992	8,260	46,976	42,902
1993	7,513	46,300	40,297
1994	6,861	42,811	37,392
1995	5,800	39,500	33,000
<b>Ukraine</b>			
1992	3,401	19,114	13,445
1993	2,815	18,199	13,853
1994	2,666	17,933	11,142
1995	2,450	16,700	10,800
<b>Kazakhstan</b>			
1992	1,258	5,265	3,565
1993	1,258	5,577	3,288
1994	1,034	5,128	2,771
1995	825	4,400	1,950
<b>Belarus</b>			
1992	950	5,885	3,501
1993	830	5,598	3,516
1994	740	5,560	3,400
1995	650	5,000	3,425
<b>Moldova</b>			
1992	234	1,135	812
1993	178	896	540
1994	123	870	460
1995	115	650	575
<b>Central Asia</b>			
1992	865	5620	3077
1993	932	5623	2609
1994	854	5688	2060
1995	854	5800	1835
<b>Caucasus</b> <sup>2</sup>			
1992	293	1694	1353
1993	231	1552	987
1994	242	1581	968
1995	203	1510	915
<b>Baltic States</b> <sup>2</sup>			
1992	769	4,643	2,002
1993	621	4,173	1,443
1994	475	3,972	1,394
1995	400	3,800	1,350

<sup>1</sup> Carcass weight.

<sup>2</sup> Estimates.

Sources: Statkom SNG; Rosgoskomstat.

The oilseed sector is changing rapidly, particularly in **Russia**. Private trading companies are contracting directly with producers, and often provide seed and other inputs in



Table 4—Livestock inventories, all farms, Jan. 1

Year	Cattle	incl. cows	Hogs	Sheep & goats
<i>1,000 head</i>				
<b>FSU <sup>1</sup></b>				
1992	112,116	41,726	69,397	136,151
1993	106,693	41,153	60,534	130,512
1994	100,832	40,732	55,087	119,611
1995	91,500	38,913	48,976	97,332
1996	81,325	35,645	41,265	85,965
<b>Russia</b>				
1992	54,700	20,600	35,400	55,300
1993	52,200	20,200	31,500	51,400
1994	48,900	19,800	28,600	43,700
1995	43,886	18,606	25,011	35,948
1996 <sup>1</sup>	39,700	17,500	22,100	31,900
<b>Ukraine</b>				
1992	23,728	8,263	17,839	7,829
1993	22,457	8,057	16,175	7,237
1994	21,607	8,078	15,298	6,863
1995	19,624	7,818	13,946	5,575
1996 <sup>1</sup>	17,700	7,400	12,300	4,295
<b>Belarus</b>				
1992	6,600	2,300	4,700	400
1993	6,200	2,200	4,300	400
1994	5,851	2,199	4,181	323
1995	5,404	2,181	4,003	284
1996 <sup>1</sup>	5,100	2,150	3,750	220
<b>Moldova</b>				
1992	1,000	400	1,800	1,300
1993	1,000	400	1,500	1,400
1994	900	400	1,200	1,400
1995	751	367	937	1,478
1996 <sup>1</sup>	625	325	850	1,250
<b>Kazakhstan</b>				
1992	9,592	3,490	2,976	34,556
1993	9,576	3,623	2,591	34,420
1994	9,347	3,687	2,445	34,208
1995	7,835	3,356	1,927	24,016
1996 <sup>1</sup>	6,850	2,900	1,450	20,000
<b>Central Asia</b>				
1992	8,570	3,561	1,425	28,600
1993	8,600	3,700	1,000	28,300
1994	8,702	3,842	726	26,634
1995	8,855	3,937	615	23,964
1996 <sup>1</sup>	8,775	4,040	500	22,825
<b>Caucasus</b>				
1992	3,638	1,485	1,032	7,769
1993 <sup>1</sup>	3,200	1,500	700	7,000
1994 <sup>1</sup>	3,000	1,470	535	6,225
1995 <sup>1</sup>	2,924	1,470	381	5,862
1996 <sup>1</sup>	2,575	1,330	315	5,475
<b>Baltics <sup>1</sup></b>				
1992	4,288	1,627	4,225	397
1993	3,460	1,473	2,768	355
1994	2,525	1,256	2,102	258
1995	2,221	1,178	2,156	205
1996	2,000	1,100	2,250	175

<sup>1</sup> Estimates. Sources: Statkom SNG; Rosgoskomstat; USDA.Table 5—FSU oilseeds and products balance <sup>1</sup>

Item	1993/94	1994/95	1995/96
<i>1,000 tons</i>			
<b>Total Oilseeds</b>			
Area (1,000 ha.)	8,897	8,947	9,961
Yield (ton/ha)	1.13	1.00	1.02
Production	10,062	8,951	10,191
Net Imports	(471)	(872)	(1,378)
<b>Sunflowerseeds</b>			
Area (1,000 ha.)	5,020	5,203	6,200
Yield (ton/ha)	1.06	0.85	0.92
Production	5,305	4,443	5,680
Net Imports	(630)	(980)	(949)
<b>Soybeans</b>			
Area (1,000 ha.)	754	702	725
Yield (ton/ha)	0.86	0.79	0.74
Production	647	556	540
Net Imports	166	115	107
<b>Cottonseed</b>			
Area (1,000 ha.)	2,815	2,700	2,691
Yield (ton/ha)	1.36	1.36	1.34
Production	3,829	3,660	3,610
Net Imports	0	0	0
<b>Total Oilmeal</b>			
Production	3,992	3,602	3,773
Net Imports	1,270	788	831
Consumption	5,262	4,390	4,604
<b>Sunflowerseed meal</b>			
Production	1,300	976	1,194
Net Imports	45	85	80
Consumption	1,345	1,061	1,274
<b>Soybean meal</b>			
Production	546	492	425
Net Imports	1,260	685	783
Consumption	1,806	1,177	1,208
<b>Cottonseed meal</b>			
Production	1,509	1,497	1,508
Net Imports	0	0	0
Consumption	1,509	1,497	1,508
<b>Total Vegetable Oil</b>			
Production	2,126	1,720	1,965
Net Imports	359	673	732
Consumption	2,499	2,401	2,677
<b>Sunflowerseed oil</b>			
Production	1,436	1,067	1,310
Net Imports	133	407	469
Consumption	1,579	1,480	1,759
<b>Soybean oil</b>			
Production	102	89	82
Net Imports	80	88	101
Consumption	184	179	183
<b>Cottonseed oil</b>			
Production	518	515	519
Net Imports	12	0	(7)
Consumption	530	515	512

<sup>1</sup> October/September marketing year.

Negative ( ) net imports denote net exports.

Source: USDA, estimates as of October 1995.



return for product. FSU consumption of vegetable oil has declined since 1990, but domestic production has fallen even more sharply, pushing prices above world levels. As a result, **Russia** remains a net importer of vegetable oil. While vegetable oil imports are projected to rise slightly in 1995/96, they remain below levels of the late 1980s.

As of October 1995, FSU sunflowerseed area for 1995/96 is projected to increase 20 percent from estimated 1994/95 levels because sunflowerseeds currently are more profitable to produce than most other crops. Furthermore, the government has interfered less with oilseed production than grain production since 1991. For example, **Russian** State procurement of sunflowerseeds declined from about three-fourths of production during 1986-1990 to virtually none in 1994. **Ukrainian** State procurements also declined, although not as much as in Russia.

While sown area has risen since 1992/93, FSU sunflowerseed yields have fallen. In 1995/96, drought conditions and high input prices could keep **Russian** yields near last year's levels. Lower quality seed, reduced use of rotation, and expansion of plantings in marginal areas are also contributing to below average yields. In **Ukraine**, where drought effects were less severe, yields are expected to be higher, but below historical levels. Total FSU sunflowerseed production is projected to increase 30 percent from 1994/95. **Russia** and **Ukraine** together comprise over 80 percent of FSU sunflowerseed production.

#### FSU Sugar, Potato Production Forecast To Rise

**Russian** and **Ukrainian** sugar, potato, and vegetable output is expected to recover from last year's levels. FSU sugarbeet production in 1995/96 (September/August) is forecast at nearly 56 million tons. A 5-million-ton-rise in **Russia** and a 4-million-ton upturn in **Ukraine** account for most of the expected 10-million-ton improvement from 1994/95 (table 6). Although **Russian** refined sugar prices remain well above world prices, it is not clear whether the higher prices are reaching producers. Russia imposed a 20-percent tariff on refined sugar imports, but only a 1-percent tariff on raw sugar. The result is higher protection for Russian refiners than for producers. It also motivates processors to concentrate on refining rather than full-line processing of sugarbeets into sugar.

**Table 6—FSU supply and use of sugar <sup>1</sup>**

	1993/94	1994/95	1995/96
<i>1,000 tons</i>			
<b>Total FSU</b>			
Area (1,000 hectares)	3,103	2,751	2,693
Yield (tons/ha.)	21.0	16.6	20.7
Beet Production	65,245	45,538	55,630
Sugar Production	7,457	5,681	6,450
Imports, total	5,332	4,901	4,955
refined, intra-FSU	1,754	1,683	1,775
refined, extra-FSU	1,718	1,622	1,667
raw imports	1,860	1,596	1,513
Exports, total	1,840	1,830	1,960
Exports, intra-FSU	1,754	1,683	1,755
Exports, extra FSU	86	147	185
Consumption	10,465	9,730	9,465
Per Capita (Kg.)	35.6	33.1	32.1
<b>Russian Federation</b>			
Area (1,000 hectares)	1,333	1,104	1,050
Yield (tons/ha.)	19.1	12.6	17.6
Beet Production	25,468	13,900	18,500
Sugar Production	7,100	6,500	7,000
Imports, total	3,150	2,700	3,000
refined, intra-FSU	960	740	900
refined, extra-FSU	1,090	1,100	1,100
raw imports	1,100	860	1,000
Exports, total	40	30	20
Exports, intra-FSU	40	30	20
Exports, extra FSU	0	0	0
Consumption	5,400	4,900	4,900
Per Capita (Kg.)	36.3	33.0	33.0
<b>Ukraine</b>			
Area (1,000 hectares)	1,519	1,400	1,400
Yield (tons/ha.)	22.2	19.7	22.8
Beet Production	33,717	27,600	31,900
Sugar Production	4,190	3,600	4,000
Imports, total	32	200	200
refined, intra-FSU	0	0	0
refined, extra-FSU	0	0	0
raw imports	32	200	200
Exports, total	1,800	1,800	1,900
Exports, intra-FSU	1,714	1,653	4,630
Exports, extra FSU	86	147	145
Consumption	2,400	2,300	2,250
Per Capita (Kg.)	46.0	44.1	43.2

<sup>1</sup> September/August marketing year.

Raw value, unless noted.

Source: USDA, estimates as of October 1995.

FSU potato and vegetable production, like sugar and sunflowerseeds, is forecast up from 1994/95, mainly



because these crops are well suited for small scale production on private farms and plots and can be consumed directly without further processing.

### **Outlook Bleak for Russian Land Reform**

In July 1995, the Russian Duma completed its first reading of the Land Code. The new draft of the law, mainly supported by the heads of former State and collective farms, prohibits private ownership and sale of land, and mortgaged lending. However, it does allow for long term leasing and inheritance. Prime Minister Chernomyrdin proposed holding a referendum on private land ownership to reverse the Duma's direction.

### **Few New Private Farms Being Established in 1995**

The number of private farms in the FSU as a whole is rising very slowly, and still accounts for less than 5 percent of total agricultural land. Republics experiencing the greatest increase in private farms include **Moldova, Kyrgyzstan, Uzbekistan, and Kazakhstan**. While the number of **Russian** private farms rose by 7,400 in first-quarter 1994, the net gain in first-quarter 1995 was only 3,500 farms, as the failure of over 6,000 private farms offset most of the growth of new farms.

### **Fertilizer Output Shows Sharp Turnaround**

FSU mineral fertilizer output in 1995 is estimated to be over 15 percent above last year, having fallen more than 50 percent from 1990 to 1994. The increase may indicate the industry is starting to recover after 4 years of decline driven by increased costs and significantly reduced domestic use. A primary factor behind the rise has been the growth of exports. In many countries, increased State support to farms this year for fertilizer purchases may also be a factor. Reportedly, in **Russia** alone, more than 500 billion rubles (about \$100 million) were provided to farms during the first half of 1995 to assist with fertilizer and pesticide purchases. It is unclear whether or how much the rise in fertilizer output reflects the rise in State subsidies to producers or users, but subsidies alone cannot sustain the increase, given the financial constraints facing FSU governments.

Although some parts of the FSU's farm machinery sector showed signs of growth this year, overall output of farm machinery continues to decline. Production of tractors during the first half of 1995 rose in **Russia** (2 percent),

**Kazakhstan** (65 percent), and **Uzbekistan**. However, tractor production fell in **Belarus** (40 percent) and **Ukraine** (20 percent). Output of grain combines continued to decline this year, with production in **Russia**, the primary FSU producer, down about 50 percent from a year earlier as of mid-1995.

The **Russian** agricultural machinery leasing program, introduced in 1994, may account for much of the growth in tractor output. One Russian source estimates that State support in the form of subsidized leasing arrangements for farms will total about 1.2 trillion rubles (\$230 million) this year. Despite this assistance, the Russian Ministry of Agriculture has called for the introduction of State Machine and Technology Stations (MTS) to provide further support in the form of repair services to farms.

### **U.S. Agricultural Exports to FSU, Russia Down 30 Percent Despite Strong HVP Sales**

Fiscal year (October-September) 1995 U.S. exports of agricultural products to both the FSU and **Russia** are projected lower (nearly 30 percent) than a year earlier, as continued growth in high value product (HVP) exports is not offsetting significantly lower grain sales (table 7). HVPs make up 85-90 percent of U.S. agricultural exports to the region, historically the share held by grains and other bulk commodities. However, despite the higher per unit value of HVPs, the large drop (from \$1.8 billion in fiscal 1992 to \$117 million in October-August 1994/95) in grain exports has resulted in the lowest U.S. agricultural exports to the FSU since fiscal 1987. Moreover, agriculture's share of total U.S. exports has declined from 80 percent or higher in the 1980s and early 1990s to only 30 percent in the first 7 months of 1995 (fig. 1). These trends reflect changes in consumer preferences and the end of centralized State food imports that accounted for the large growth in U.S. grain exports in the 1980s and early 1990s.

Programmed U.S. export and food assistance in fiscal 1995 remains below fiscal 1994's reduced levels. Food aid continues to be targeted at those countries with food supply and distribution disruptions due to civil/military unrest and at low-to-middle income countries experiencing lower harvests due to adverse weather. Although to date in 1995, few grain sales have been registered for Export Enhancement Program (EEP) bonuses, sizable sales of wheat flour and dry whole milk are receiving EEP and DEIP (Dairy Export Incentive Program) bonuses. This



**Table 7--U.S. agricultural exports to FSU and Russia, fiscal 1992-95**

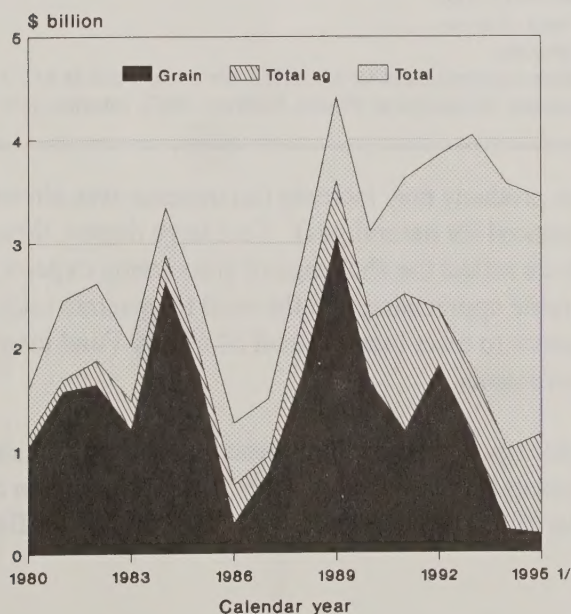
Commodity	FSU				Russia			
	1992	1993	1994	1995 <sup>1</sup>	1992	1993	1994	1995 <sup>1</sup>
\$ million								
Wheat	1,029	566	257	104	406	275	92	59
Corn	737	493	275	13	152	336	242	1
Soybeans	122	10	5	17	--	--	--	8
Soybean meal	488	111	171	30	131	82	130	3
Pork	--	1	29	61	--	0.8	28	41
Poultry meat	41	27	282	489	7	27	258	400
Dairy products	68	120	129	51	55	83	93	33
Fruits, nuts, veg.	22	38	69	56	15	26	55	47
Sugar & trop. prods.	12	46	107	35	5	44	104	32
Other	185	149	162	193	68	91	102	211
Total	2,704	1,561	1,486	1,049	839	965	1,104	835
1,000 tons								
Wheat	8,797	4,529	2,183	643	3,068	2,196	762	373
Corn	6,533	4,965	2,640	115	1,309	3,380	2,337	9
Soybeans	543	46	19	78	--	--	--	35
Soybean meal	2,202	541	810	164	611	384	612	15
Pork	--	0.3	18	41	--	0.3	18	41
Poultry meat	54	221	336	611	9	43	315	575
Dairy products	34	83	95	27	27	49	76	19
Sugar & trop. prods.	29	20	53	26	14	20	52	24

-- = Negligible or none.

<sup>1</sup> October-August 1994/95.

Source: USDA.

**Figure 1**  
**U.S. Exports to the FSU Region**



Source: USDA, U.S. Dept. of Commerce.  
1/ ERS estimate based on Jan.-July data.

activity reflects currently high grain prices and lower EEP bonuses, as well as a shift in U.S. exports of wheat flour and dairy products from mostly food aid shipments to increased commercial sales. A large share of wheat flour exports is going to **Russia**, where increased wheat prices and high-cost flour production are making imports cheaper than domestic flour in some areas.

### **FSU Countries Continue To Re-Orient Trade, Agriculture's Share of Russian Imports Remains High**

During the first 7 months of 1995, extra-FSU trade continued to increase as a share of total trade. According to the CIS Statistical Committee, around 60 percent of total CIS trade during January-July 1995 came from extra-CIS sources, with extra-CIS exports and imports up 28 and 22 percent (in real terms), respectively, from a year earlier. The value of intra-CIS imports increased only slightly due to higher prices, but, this growth is probably



temporary. To a large degree, the reorientation of Russian trade is the primary factor driving the growth in extra-CIS trade, as the share of intra-trade is still high for some CIS members. While extra-FSU trade as a whole remains strongly oriented towards Europe, regional trade flows are becoming more evident. For example, in 1995, a large share of **Azerbaijan's** trade occurred with Iran and Turkey, around one-third of **Belarus'** trade was with Poland and Germany, half of **Kyrgyzstan's** exports went to China, and Romania has become a significant trading partner of **Moldova**.

Agricultural products continue to account for a large share of most FSU countries' imports, but the shift from bulk commodities to higher-value, processed foodstuffs is starting to occur in countries other than **Russia**. Statkom SNG reports that for the first 6 months of 1995, CIS grain imports have fallen, while refined sugar and meat purchases have increased, compared to 1994. According to Goskomstat Rossii, agriculture's share of total **Russian** imports in the first 7 months of 1995 was 30 percent, with other sources citing a figure as high as 35-40 percent (table 8). HVP imports continued to grow (meat and dairy products, vegetable oil, sugar, beverages) while bulk imports of grain were down 50 percent in value terms (volume data are no longer provided by Goskomstat Rossii).

By making imports relatively less expensive, the appreciation of the ruble against the dollar is one of the driving forces behind Russian food import growth in 1995. Despite the July 1 imposition of higher tariffs for many products, it appears that the Central Bank's ruble exchange rate policy (keeping the ruble between 4,300 to 4,900 to the U.S. dollar) may be offsetting some of the tariff increase. However, it is too soon to say for sure that the strong growth in imports registered in the first 7 months will continue for the rest of 1995. The higher tariff rates (as well as a new 10-percent VAT and 1.5-percent special tax on food imports) could begin to affect imports, especially given reports that importers increased shipments earlier in the year to avoid the higher rates.

### Reduced Export Controls and Increased Protectionism Continue

**Russian** export controls continue to diminish in 1995. In August, President Yeltsin signed a decree lowering export taxes an average 30 percent effective September 1. Individual reductions are not yet known, but excise taxes on

**Table 8—Russian agricultural imports from extra-FSU sources, 1991–95 <sup>1</sup>**

Commodity	1991	1992	1993	1994	1995 <sup>2</sup>
<i>1,000 tons</i>					
Wheat	10,689	17,593	5,699	1,184	na
Barley	2,882	3,967	615	15	na
Corn	5,457	5,490	4,391	864	na
Rice	322	7	na	na	na
Wheat flour	556	944	54	13	na
Vegetable oil	201	463	93	55	138
Sugar, total	3,269	3,691	3,109	2,286	1,477
Coffee	45	35	13	26	16
Cocoa beans	17	24	na	na	na
Tea	143	47	55	98	na
Meat <sup>3</sup>	517	291	85	387	429
Poultry meat <sup>3</sup>	89	46	74	411	423
Butter	153	25	70	171	155
Dry milk	77	49	15	37	na
Citrus	266	43	172	869	316
Apples	156	79	81	263	na
Bananas	8	2	19	na	na
<i>\$ billion</i>					
Total ag imports	10.5 <sup>4</sup>	9.3	6.0	8.2 <sup>5</sup>	7.6 <sup>4</sup>
<i>Percent</i>					
Ag share of total imports (value)	24.6	26.6	22.2	29.2	30.0
na=Not available.					
<sup>1</sup> 1995 data include imports from all sources (including FSU).					
<sup>2</sup> January–July.					
<sup>3</sup> Fresh–frozen.					
<sup>4</sup> Estimate.					
<sup>5</sup> State customs data for imports from all sources is \$10.7 billion.					
Sources: Goskomstat Rossii, Statkom SNG, Interfax, IMF.					

some products may increase (an increase was already announced for natural gas). To a large degree, these policies reflect the challenge of stimulating exports while the ruble appreciates, and the need to generate budgetary revenues to meet International Monetary Fund loan requirements.

While export controls have been reduced, protectionist measures have increased. Earlier in 1995, Yeltsin ended all tariff and tax concessions. Higher import tariffs and a



new import VAT and special tax on agricultural products were introduced this summer. Moreover, a resolution was adopted to require the Moscow city government to satisfy more of its food needs from the Russian and CIS markets in return for concessional credit from the federal budget. The primary objectives of these policies are to: 1) increase support (without budgetary outlays) to domestic producers who are unable to compete with imports; 2) generate revenue for the budget; and 3) according to some sources, use higher tariffs as a negotiating tool in upcoming WTO negotiations. It is unclear how effective these measures will be, given the past difficulties of enforcing border measures, the ruble's appreciation, and consumer preference for easy-to-prepare, well-packaged imported foodstuffs (such as many livestock products).

Although **Russia** continued to liberalize its export policies in 1995, other FSU countries still control strategic agricultural exports. In August, the export licensing and quota system for grain was reinstated in **Ukraine**, only a month after its cancellation. The purpose of this system is to ensure that domestic procurement contracts are fulfilled, given lower domestic grain prices relative to neighboring FSU countries that are experiencing lower grain output (**Russia, Belarus**). **Moldova**, which is facing a similar situation, has also implemented export licensing for grain

that requires producers to meet domestic requirements before they can export. While **Uzbekistan** and **Tajikistan** recently lowered cotton procurement levels, raised procurement prices, and allowed producers to export through commodity exchanges, exports are still tied to supplying a specific amount to the State.

Like **Russia**, other FSU countries have increased import tariffs on food products. In early 1995, **Ukraine** increased many import tariff rates, imposing higher rates (30-40 percent) on those products considered to be in adequate supply on the domestic market. Moreover, chocolate and sugar imports face sizable excise taxes (20-30 percent). Reportedly, Ukraine is also considering the temporary introduction of other border measures (possibly non-tariff barriers) in 1996 to help support domestic producers. In late September, the **Estonian** parliament passed a law allowing the introduction of moderate import tariffs (expected to range from 10 to 15 percent), which appears to have government support. Introduction of the tariffs is not expected until 1996.

**For further information, contact Sharon S. Sheffield, Christian J. Foster, Jay K. Mitchell, or Roger L. Hoskin, Former Soviet Union Team/Europe, Africa, Middle East Branch/CAD, (202) 219-0620.**



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